RESPONSE TO THE AUDITOR GENERAL

TABLE OF CONTENTS

RESPONSE TO THE AUDITOR GENERAL

October 2010 157
April 2010 165

RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2010

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – October 2010* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
IT Governance, Strategic Planning and Project Management	
1. Athabasca University – Improve governance and oversight of information technology We recommend that Athabasca University continue to improve its IT governance by: • developing an integrated IT delivery plan that aligns with the University's IT strategic plan • requiring business cases for IT projects that include key project information such as objectives, costs-benefit assessments, risks and resource requirements to support the steering committees' and executive committee's decisions and ongoing project oversight • improving the coordination and communication between the IT steering committees in reviewing, approving and overseeing projects	**Accepted**. The University has initiated processes to update its IT Strategic Plan, craft high-level IT governance principles, develop and implement business case development standards for IT projects, and review the mandate and role of IT governance committees. Full implementation of these activities is expected within three years.
2. Athabasca University – Improve portfolio and project management processes We recommend that Athabasca University continue to improve its portfolio management and project management processes for IT projects by: • clarifying and communicating the mandate and authority of the project management office • setting project management and architectural standards, processes and methodologies, and training project managers on these • monitoring and enforcing project managers' adherence to these standards, processes and methodologies • tracking and managing project dependencies on scope, risks, budgets and resource requirements	**Accepted**. The University has initiated the process of defining and establishing the Project Management Office's mandate, authority, standards and performance measures. Project status reporting will also be improved and architectural standards will be developed. Full implementation of this recommendation is expected within three years.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Children and Youth Services	
Daycare and Day Home Regulatory Compliance Monitoring	
3. Child and Family Services Authorities – Improve follow-up processes	
We recommend that Child and Family Services Authorities improve systems for monitoring and enforcing child care program compliance with statutory requirements and standards by ensuring that all verbal warnings are adequately documented and resolved.	**Accepted**. The Department will continue to work with the Child and Family Services Authorities to develop and implement processes to ensure that all enforcement actions are documented and resolved in a timely manner. The Department will review the policy on verbal warnings to identify and implement any changes required to improve documentation and resolution by September 2011.
Advanced Education and Technology	
University of Calgary – Research Management	
4. University of Calgary – Improve human resource plans and system for cost planning to quantify and budget for indirect costs (Repeated)	
We again recommend that the University of Calgary improve its human resource plans and develop a system to quantify and budget for the indirect costs of research.	**Accepted**. The University will develop a method to estimate indirect costs with greater precision and use this in assessing the total cost of a proposed research project by March 2011. Management will also work closely with Human Resources to develop faculty workforce plans to address research at a functional level. Workforce plans will be incorporated into the institutional business plan for the 2011–12 business planning cycle.
5. University of Calgary – Define research management roles and responsibilities (Repeated)	
We again recommend that the University of Calgary define research management roles and responsibilities.	**Accepted**. The University will ensure that job descriptions for relevant positions incorporate approved roles and responsibilities developed by the Office of the Vice President (Research).

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
6. University of Calgary – Maintain current and comprehensive research policies (Repeated) We again recommend that the University of Calgary ensure all research policies are current and comprehensive. Specifically, the policies should identify who is responsible for monitoring compliance.	**Accepted**. The University will implement a process where the Research Development and Policy Committee and the Office of the Vice President (Research) review and update all research policies on a periodic basis. Additionally, policy compliance by researchers will be monitored through the use of a compliance monitoring tool. These initiatives will be developed during 2010-11.
Service Alberta **Protecting Information Assets** 7. Web application controls (Repeated) We again recommend that Service Alberta, in conjunction with all ministries and through the Chief Information Officer Council, develop and implement well designed and effective controls to ensure all Government of Alberta web applications consistently meet all security standards and requirements.	**Accepted**. Through the Chief Information Officer Council and the Chief Information Security Officer, Service Alberta will continue working with ministries to review the most appropriate, effective and efficient mechanism to monitor the development and deployment of web applications in the shared Government of Alberta infrastructure. This issue will be framed within the overall fiscal context and risk profiles through coordination with ministries.
Treasury Board **Assessing and Prioritizing Alberta's Infrastructure Needs** 8. Department – Deferred maintenance (Repeated) We again recommend that the Department of Treasury Board, in consultation with departments, develop objectives, timelines and targets for reducing deferred maintenance, and include information on deferred maintenance in the province's Capital Plan.	**Accepted**. The Department will coordinate the development of options for the government to consider addressing deferred maintenance and how deferred maintenance is reported. The issue will be framed within the overall fiscal context and requests for new capital.
9. Department – Maintaining assets over their life (Repeated) We again recommend that the Department of Treasury Board establish a process that enables public infrastructure assets to be properly maintained over their life.	**Accepted**. The Department of Treasury Board, with input from other departments, will develop options for the government to consider on addressing maintenance costs of public infrastructure. This issue will be framed within the overall fiscal context and the various pressures facing government.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
10. Athabasca University — Establish IT resumption capabilities	
We recommend that Athabasca University: • assess the risks and take the necessary steps to establish appropriate off-site disaster recovery facilities that include required computer infrastructure to provide continuity of critical IT systems • complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster	**Accepted**. The University will define and document disaster recovery procedures for critical systems by December 2011. The University will also review and scope available second site options for critical recovery by March 2012 and will implement a critical system failover database by December 2012.
11. University of Calgary — Improve access to data and systems (Repeated)	
We again recommend that the University of Calgary improve controls in the PeopleSoft system by: • finalizing and implementing the security policy and the security design document • ensuring that user access privileges are consistent with both the user's business requirements and the security policy	**Accepted**. The Innovative Support Services (iS2) project encompasses improved PeopleSoft security, including a security design document and review of user access privileges to ensure they align with user business requirements. Roll-out is expected in the 2011-12 fiscal year.
Agriculture and Rural Development	
12. Agriculture Financial Services Corporation — Improve processes for conducting compliance audits	
We recommend Agriculture Financial Services Corporation improve its processes for conducting compliance audits and investigations by: • clearly defining the roles and responsibilities of the Program Cross Compliance and Investigations group • improving the coordination between PCCI and program areas	**Accepted**. Agriculture Financial Services Corporation is in the process of implementing governance and authorities documents to clarify the roles and responsibilities of the Program Cross Compliance and Investigations group and the business areas involved in compliance audits and investigations. The streamlined policy and procedures will be in place in the 2010-11 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
13. Northland School Division No. 61 — Obtaining interest in land We recommend that Northland School Division No. 61 develop processes to ensure it obtains a valid legal interest in land before beginning construction of schools.	**Accepted**. On January 21, 2010, the Minister of Education appointed an Official Trustee in Northland School Division, in part to address the absence of a legal interest in a completed school. Subsequently, the Auditor General made this recommendation, which further supports the Minister's actions. The Department will meet with Northland's administrative staff to ensure processes to obtain title or leases for long term access to school sites before beginning construction are in place by March 2011.
14. Northland School Division No. 61 — Improving financial reporting We recommend that the Northland School Division No. 61 improve its financial reporting by: • preparing and presenting quarterly financial information to the Official Trustee • regularly reviewing and reconciling general ledger accounts • preparing year-end financial statements promptly	**Accepted**. On January 21, 2010, the Minister of Education appointed an Official Trustee in Northland School Division, in part to address concerns about the financial oversight provided by the Board of Trustees. Subsequently, the Auditor General made this recommendation, which further supports the Minister's actions. The Department will offer their expertise to Northland's administrative staff to ensure strong financial reporting processes are in place to provide reliable, periodic financial information to management and the Official Trustee.
Environment	
15. Department — Improve and document grant monitoring activities We recommend that the Department of Environment improve its monitoring of compliance with conditions in grant agreements and retain evidence of the review.	**Accepted**. The Department will review and update processes by March 2011. The implementation plan will include developing a grant monitoring checklist form for all active grants and processes to remind grant managers when reports are due.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
16. Department – Improve financial reporting processes We recommend that the Department of Finance and Enterprise improve its year-end financial reporting processes.	**Accepted.** The Department has engaged an external consultant to compare current processes against best practices. Year-end processes will continue to be refined and streamlined in the 2010-11 fiscal year.
17. Alberta Investment Management Corporation – Help clients meet financial reporting requirements We recommend that the Alberta Investment Management Corporation identify financial reporting requirements in its investment management agreements with clients. The Alberta Investment Management Corporation should meet with the clients to understand their financial reporting frameworks, their financial accounting requirements and the investment-related information they need to prepare financial statements.	**Accepted.** Alberta Investment Management Corporation is expanding its standardized client investment management agreement to include providing financial information that its clients require. This recommendation will be implemented in the last quarter of the 2010-11 fiscal year.
18. Alberta Investment Management Corporation – Improve controls over investment general ledger We recommend that the Alberta Investment Management Corporation implement additional control procedures so that the Corporation itself can ensure the completeness and accuracy of its Genvest investment general ledger.	**Accepted.** Alberta Investment Management Corporation's investment operations team is implementing additional control and reconciliation procedures and is recruiting additional staff to perform the tasks. This recommendation will be implemented by the second quarter of the 2011-12 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Health and Wellness	
19. Alberta Health Services – Financial operations transition plan We recommend that Alberta Health Services prepare and implement a formal transition plan for the organization's finance operations. The plan should include and integrate the following: • assessing the resources, timelines and critical path needed to consolidate the general ledger and sub-ledger systems • ensuring rigorous change management controls are applied before implementing application system changes • harmonizing financial reporting policies and processes across the organization • determining the adequate amount of human resources and skill levels required to implement the plan and then keep the processes operational	**Accepted**. Consolidating all major business systems onto a common platform is a key priority for Alberta Health Services. Work is underway to merge the diverse systems of 12 entities. The majority of the work will be completed by 2013.
20. Alberta Health Services – Funding agreements for capital projects We recommend that Alberta Health Services ensure that funding agreements are signed prior to commencement of construction of capital projects, and are formally amended when there are significant changes in the scope of a capital project.	**Accepted**. Alberta Health Services will ensure all agreements covering responsibility for operations and capital funding are signed prior to commencement of construction of capital projects, and are formally and promptly amended for any significant changes.
21. Alberta Health Services – Effectiveness of insurance reciprocal We recommend that Alberta Health Services assess the effectiveness of its arrangement with the Liability and Property Insurance Plan as a risk management tool, and assess the resulting accounting implications.	**Accepted**. Alberta Health Services (AHS) will complete an assessment of the effectiveness of the Liability and Property Insurance Plan (LPIP) as a risk management tool by January 2011. If required, AHS will make any changes to the way LPIP is reported for the 2010-11 fiscal year.
22. Alberta Health Services – Accounting for restricted contributions We recommend that Alberta Health Services implement consistent and efficient accounting processes for externally restricted contributions to assure the AHS Board that it is complying with the restrictions attached to those contributions.	**Accepted**. The harmonizing of Alberta Health Services' accounting processes for externally restricted contributions was implemented in the fall of 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
23. Alberta Health Services – Year-end financial reporting processes (Repeated) We again recommend that Alberta Health Services improve its year-end financial reporting processes by improving processes to identify and resolve key accounting risks and reporting issues on a timely basis.	**Accepted**. Alberta Health Services management has created a plan to improve its year-end financial reporting processes and resolve key accounting risks and reporting issues on a timely basis. The plan has been presented to the Board's Audit and Finance Committee and will form the framework to address this issue moving forward.
Justice and Attorney General	
24. Office of the Public Trustee – New vendor set-up We recommend that the Office of the Public Trustee improve controls for inputting new vendors in its Public Trustee Information System.	**Accepted**. The Office of the Public Trustee is in the process of developing validation policies, processes and procedures for new vendors. These new policies, processes and procedures will be implemented in the 2010-11 fiscal year.

RESPONSE TO THE AUDITOR GENERAL – APRIL 2010

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – April 2010* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Cross Ministry	
Alberta Schools Alternative Procurement	
1. Challenging and Supporting Assumptions	
We recommend that the Departments of Treasury Board and Infrastructure improve processes, including sensitivity analysis, to challenge and support maintenance costs and risk valuations.	**Accepted**. The guidance to support maintenance costs and risk valuations will be incorporated into guidance documents during 2010-11 fiscal year.
2. Transparency	
We recommend that the Departments of Treasury Board and Infrastructure follow their own guidance to publish a Value for Money Report upon entering into a Public Private Partnership (P3) agreement.	**Accepted**. A template for the Value for Money report has been developed. A Value for Money report was issued for phase 1 of the Alberta Schools Alternative Procurement project and a Value for Money report for subsequent P3 projects will be issued within the timeframes stated in the updated guidance document that will be completed in 2010-11 fiscal year.
Employment and Immigration	
Occupational Health and Safety	
3. Promoting and enforcing compliance	
We recommend that the Department of Employment and Immigration enforce compliance with the *Occupational Health and Safety Act* by employers and workers who persistently fail to comply.	**Accepted**. The Department is working to strengthen compliance policies and procedures to ensure client files are updated to reflect accurate and most current information. It is anticipated that this will be completed by March 2011.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Environment	
Managing Alberta's Water Supply	
4. Backlog of Water Act applications	
We recommend that the Department of Environment minimize the backlog of outstanding applications for *Water Act* licences and approvals.	**Accepted**. The Department has assembled a team whose role is to quantify, research the causes of, and assess the implications of the backlog. In July 2010, the team implemented a strategy to reduce current backlog and minimize any future backlog. A significant decrease in backlog is expected to be accomplished by March 2011.
5. Assessing compliance with the Water Act	
We recommend that the Department of Environment ensure its controls provide adequate assurance that performance in the field by licence and approval holders as well as others complies with the *Water Act*.	**Accepted**. The Department will use education, prevention and enforcement to ensure compliance where noncompliance has been identified and will focus proactive efforts where assessments determine the risks to be greatest. This work commenced immediately and it is expected that a formal review of how *Water Act* resources are deployed will be completed by March 2011.
6. Wetland compensation	
We recommend that the Department of Environment formalize its wetland compensation relationships and control procedures.	**Accepted**. The Department is reviewing wetland compensation relationships and control procedures. Formalizing the wetland compensation and control relationships is dependent upon further developing the new wetland policy. It is anticipated that this work will be completed by March 2013.
7. WPAC grants and contracts	
We recommend that the Department of Environment strengthen its control of grants and contracts with Watershed Planning and Advisory Councils.	**Accepted**. The Department has begun strengthening the control of Watershed Planning and Advisory Council's grants and contracts by ensuring that the deliverables are well defined and that invoices are signed off only upon confirmation that deliverables have been provided.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
ATB: New Banking System Implementation	
8. Project management We recommend that Alberta Treasury Branches improve the management of its Core project by: • resolving pending business decisions, dealing with remaining change requests, and locking down the project's scope so that the project's design phase can be completed • developing a new project plan with a realistic schedule and budget to complete the project	**Accepted**. A new, highly experienced project director has been hired to lead a detailed recalibration of the project plan. A detailed plan has been developed outlining the specific activities required and the interdependencies among the various work streams. As part of that detailed plan, all outstanding business decisions and design elements have been completed. The new plan serves as a good control tool for ATB Financial's management as it provides detailed information about the amount of work required and the expected timelines.
9. Project management We recommend that Alberta Treasury Branches examine its existing project management controls and clearly identify, and put in place, the new controls necessary to minimize the risk that the project will not be completed within the revised timelines and budget or will not deliver the expected functionality.	**Accepted**. The recalibrated plan identifies five key milestones that must be met to ensure that the project is able to meet the target for completion. These milestones provide an early warning if the endpoint timeline may not be reached and enables ATB Financial to put remedial steps in place. ATB Financial's Strategic Steering Committee must approve the passing of the program through each of these milestones. The Board will also be advised on a timely basis of the progress at each of these milestones.
10. Project governance We recommend that Alberta Treasury Branches conduct reviews of the Core project at clearly identified checkpoints within the revised project plan to ensure the deliverables are accepted by the Core project's Strategic Steering Committee and there is clear agreement for the project to continue.	**Accepted**. The Board of Directors has been very involved in overseeing the re-planning of the Core project. Special Board meetings were held through December 2009 to February 2010 on the topic. ATB Financial has assigned members of its executive team to be directly involved in the Core project and members of ATB Financial's Strategic Steering Committee have taken direct responsibility for key aspects of the project. At the Board level, expanded reporting, particularly at each of the key milestones, will ensure that the Board is aware of progress and potential issues.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
11. Performance reporting To improve monitoring and oversight of the Core project, we recommend that Alberta Treasury Branches' management provide the Board of Directors with more information on: • project performance in relation to the revised schedule and budget • stage of completion of significant project deliverables (percent complete and percent of budget consumed) • explanations for variances between actual results and the revised project plan, and the actions taken to deal with the causes	**Accepted**. Earned Value Reporting will be implemented to show progress on the project deliverables and give management and the Board of Directors a more informed view. These reports will be provided to management, the Audit Committee and the Board of Directors on a regular basis.
Oversight of Financial Institutions	
12. Improving accountability We recommend that the Department of Finance and Enterprise clarify its business objectives for Alberta Treasury Branches, within their *Memorandum of Understanding*, in relation to the level of risk the Department expects Alberta Treasury Branches to take.	**Accepted**. The Department is working with ATB Financial to clarify, by December 2010, the objectives embodied in the term 'fair return' in an update to the new Mandate and Roles document.
13. Implementation plan for regulatory and supervisory frameworks We recommend that the Department of Finance and Enterprise develop an implementation plan for its approach to regulating and supervising regulated financial institutions.	**Accepted**. With the completed Framework Documents, which outline the Department's approach and methodology to regulate and supervise each of the regulated entities, the next step is to develop a plan to implement those Frameworks. A comprehensive implementation plan was completed and approved by the Alberta Superintendent of Financial Institutions for all of the regulated entities in August 2010.
14. Monitoring legislative compliance We recommend that the Department of Finance and Enterprise strengthen its processes to ensure identified legislative non-compliance matters are remediated.	**Accepted**. The Department will develop and document specific procedures to show timely and appropriate remedial action taken to address cases of legislative non-compliance. It is anticipated this work will be completed by December 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Solicitor General and Public Security	
Oversight of Peace Officers	
15. Follow-up of compliance audit report recommendations	
We recommend that the Department of Solicitor General and Public Security improve its processes to monitor and ensure employers implement its compliance audit recommendations by: • developing, maintaining and monitoring a database of the implementation status of all audit recommendations • requiring timely written confirmation of compliance from employers • ensuring files on employers are properly maintained • taking necessary and timely action against non-compliant employers	**Accepted**. While recognizing that public safety is not at risk, the Department has made improvements to the programs' administrative systems and processes. Implementation of a dedicated IT system, along with enhancements to internal processes and practices, was completed in September 2010.
16. Monitoring employers' investigations of peace officers	
We recommend that the Department of Solicitor General and Public Security improve monitoring of employers' investigations of complaints made against peace officers by: • following current policy and best practices, including managerial approval of concluded files, and implementing proper filing procedures • providing written notification to an employer when closing a file • better maintaining its databases	**Accepted**. See response to recommendation 15.
Advanced Education and Technology	
17. Cross-Institution recommendations – Enterprise risk management	
We recommend that the Department of Advanced Education and Technology (through the Campus Alberta Strategic Directions Committee) work with post-secondary institutions to identify best practices and develop guidance for them to implement effective enterprise risk management systems.	**Accepted**. The Department is working with post-secondary institutions to further the development of best practices and guidelines for enterprise risk management systems to be used within the post-secondary system. The estimated implementation date is fall 2011.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
18. Grant MacEwan University — Improve and implement University policies We recommend that Grant MacEwan University improve its control environment by implementing or improving: • a code of conduct and ethics policy and a process for staff to acknowledge they will adhere to its policies • a process for staff to annually disclose potential conflicts of interest in writing so the University can manage them proactively • a safe disclosure policy and procedure to allow staff to report incidents of suspected or actual frauds or irregularities • a responsibility statement in its annual report to acknowledge management's role in maintaining an effective control environment	**Accepted**. Grant MacEwan University plans to complete a review of all of its administrative policies by the end of December 2010.
19. Grant MacEwan University — Implement a quality assurance program for enterprise resource planning project We recommend that Grant MacEwan University develop and implement a quality assurance program for its enterprise resource planning renewal project.	**Accepted**. Grant MacEwan University is taking steps to implement, by April 2011, a quality assurance program consistent with the Project Management methodology standard that has been established by the University.